

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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<b>In The Matter Of The Application</b>	<b>:</b>	<b>Docket No. 03-035-19</b>
<b>Of US Magnesium LLC For</b>	<b>:</b>	<b>Direct Testimony Of</b>
<b>Determination of Long-Term</b>	<b>:</b>	<b>Kelly Francone for the</b>
<b>Economic Development Rates And</b>	<b>:</b>	<b>Committee of</b>
<b>Conditions of Interruptible Service</b>	<b>:</b>	<b>Consumer Services</b>

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**22 October 2004**

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2 **Q. Please state your name, business address and current position.**

3 A. My name is Kelly Francone. My business address is 160 East 300 South,  
4 Salt Lake City, Utah. I am a utility analyst for the Committee of Consumer  
5 Services (Committee).

6 **Q. Have you previously presented testimony before this Commission?**

7 A. Yes. I have testified regarding the Home Electric Lifeline Plan (HELP) for  
8 low-income customers (Docket No. 99-035-10), PacifiCorp's (Company)  
9 Hunter Unit 1 outage (Docket No. 01-035-23), Magnesium Corporation's  
10 avoided costs (Docket No. 02-035-02) and have filed testimony before the  
11 Public Service Commission (Commission) on a generic avoided cost rate  
12 for sales of over 1 MW (Docket No. 03-035-14), as well as on the Life  
13 Support addition to the HELP program and Questar Gas Company's  
14 weatherization and customer charge issues.

15 **Q. What is the purpose of your testimony?**

16 A. The primary purpose of my testimony is to summarize the Committee's  
17 recommendations regarding the issues in US Magnesium's application for  
18 long-term rates. I also introduce the testimony of Mr. Phil Hayet, a  
19 consultant retained by the Committee to examine issues relating to US  
20 Magnesium's application.

21 **Q. What areas does the Committee offer testimony on regarding the  
22 special contract for US Magnesium?**

23 A. The Committee provides testimony on the operational results provided in  
24 the Division of Public Utilities' interruptibility report filed on August 31  
25 2004; the rate terms and conditions recommended by US Magnesium and  
26 PacifiCorp for the special contract; and finally, the Committee's analysis  
27 and subsequent recommendations on the rate terms and conditions. In  
28 his testimony, Phil Hayet will discuss these areas at length.

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1 **Q. What approach does the Committee use in determining a special**  
2 **contract rate for US Magnesium?**

3 A. The Committee developed its recommended rate using a “top down”  
4 approach similar to that used by PacifiCorp. This approach starts with the  
5 actual cost of service determined by the Company for Rate Schedule 9  
6 Industrial customers. A number of credits based on system benefits  
7 provided by US Magnesium are then deducted from this figure for a final  
8 contract rate.

9 **Q. US Magnesium seeks a ten-year contract and a special contract rate**  
10 **of \$21/MWH. What contract length and rate does the Committee**  
11 **support?**

12 A. The Committee recommends that the special contract have a 3-5 year  
13 term and rate of \$23.30/MWH. We believe this provides US Magnesium a  
14 reasonable, cost-based rate and a contract length that is in the public  
15 interest.

16 **Q. Does this conclude your testimony?**

17 A. Yes.